

THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

DOCKET NO. 2021-130-S

IN RE: Joint Application for Approval of the	)	
Sale of Assets and Transfer of Facilities,	)	<b>DIRECT TESTIMONY</b>
Territory and Certificate of Public	)	<b>OF</b>
Convenience and Necessity from Synergy	)	<b>KEITH G. PARNELL</b>
Utilities, L.P. to South Carolina Water	)	
Utilities, Inc.	)	

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND YOUR AFFILIATION WITH THE APPLICANT SYNERGY UTILITIES, LP.**

**A.** Keith G. Parnell, 816 East Main Street, Lexington, South Carolina 29071. I am the President and Operations Manager for Synergy Utilities, LP, which I will refer to in my testimony as Synergy.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.**

**A.** I graduated from the University of South Carolina with a B.S. Degree in Civil Engineering in 1981 and obtained a Master's from U.S.C. in Water Resource Engineering in 1983. I was employed as an engineer from 1983 to 1985 by the United States Naval Facilities Engineering Command. From 1985 through 1990, I practiced civil engineering for B.P. Barber Company in Columbia, South Carolina. I am also currently registered as a Professional Engineer by the State of South Carolina. From 1990 through 2017, I served as operations manager for Midlands Utility, Inc. ("MUI") and Development Service, Inc. ("DSI"). In 2017, I began working for Synergy where I have since worked as Operations Manager.

1    **Q.     WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2    **A.**     The purpose of my testimony is to sponsor Synergy's joint application requesting approval  
3           of the sale of assets and transfer of facilities, territory, and certificate of public convenience  
4           and necessity to South Carolina Water Utilities, Inc. ("SCWU") ("Application").

5    **Q.     PLEASE DESCRIBE SYNERGY'S HISTORY.**

6    **A.**     Synergy was granted a certificate of public convenience and necessity to operate the sewer  
7           systems owned and operated by Midlands Utility, Inc. and Development Service, Inc. by Order  
8           No. 2017-49 in Docket No. 2016-348-S. Synergy organized as a limited partnership  
9           consisting of DSI as its general partner and MUI as its limited partner.

10          The Commission found that the establishment of Synergy was in the public interest because  
11          the MUI and DSI customers would benefit from increased efficiencies of centralized  
12          operations in dealing with vendors, contractors, and regulatory bodies. The Commission  
13          cancelled the certificates of public convenience and necessity for MUI and DSI in October  
14          of 2017.

15   **Q.     PLEASE DESCRIBE SYNERGY'S CUSTOMER BASE AND SERVICE**  
16          **TERRITORY.**

17   **A.**     Synergy provides collection and treatment service to approximately 112 commercial  
18          customers and 59 residential customers in Richland and Lexington Counties who were  
19          formerly DSI customers. Synergy provides collection and treatment services to  
20          approximately 417 residential customers in Richland and Lexington County who were  
21          formerly MUI customers. In addition, Synergy provides collection only sewer service to  
22          approximately 12 commercial and 289 residential customers in Orangeburg, Fairfield, and  
23          Lexington Counties.

1    **Q.     HAS SYNERGY ENTERED INTO AN AGREEMENT TO SELL ITS ASSETS TO**  
2       **SOUTH CAROLINA WATER UTILITIES, INC.?**

3    **A.**    Yes. The joint applicants have entered into an asset purchase agreement (the “Agreement”)  
4       dated March 31, 2021, whereby SCWU will acquire the sewer systems, service territories,  
5       personal and business property, real property, easements, governmental authorizations  
6       (including the certificates of public convenience and necessity issued to Synergy by the  
7       Commission, National Pollutant Discharge Elimination System permits, and other  
8       permits), and certain other property necessary for the operation of the Synergy sewer  
9       systems. A copy of the Agreement is attached to the Application as Exhibit “C” and  
10      incorporated herein by reference. On July 19, 2020, we executed an amendment to the  
11      Asset Purchase Agreement to include supplemental assets associated with the Brady Street  
12      service territory in Richland County.

13   **Q.     PLEASE EXPLAIN SYNERGY’S DECISION TO SELL ITS ASSETS AND**  
14       **TRANSFER ITS FACILITIES, TERRITORY AND CERTIFICATE OF PUBLIC**  
15       **CONVENIENCE AND NECESSITY TO SOUTH CAROLINA WATER**  
16       **UTILITIES, INC.**

17   **A.**    Owning and operating a wastewater utility has become increasingly demanding. The  
18       regulatory system in South Carolina has become much more complex and with complexity  
19       comes additional cost. My brother Ken Parnell and I have owned and operated this utility  
20       and its partner companies for twenty years. Because of the cost and complexity of the  
21       regulatory system, smaller well operated systems have begun to consolidate with larger  
22       well-run systems. I concluded that a sale of Synergy to SCWU, a subsidiary of Southwest

1 Water Company, would serve our customers well. The public interest will be well served  
2 by the transfer of Synergy's assets to SCWU.

3 **Q. WHAT BENEFITS WILL YOUR CUSTOMERS SEE RESULTING FROM THE**  
4 **MERGER?**

5 **A.** First, SCWU is a capable and well operated utility, and I would expect our customers to  
6 experience exceptional service. SCWU will provide resiliency and redundancy through  
7 the addition of its in-house engineering staff, construction professionals, wastewater  
8 operators, and information-technology team. Also, due to SCWU's integrated SAP  
9 platform, the acquisition will provide service enhancements for billing and customer  
10 service. SCWU will provide financial stability as a larger and more credit-worthy service  
11 provider. Synergy does not have the resources to provide these customer benefits.

12 **Q. WILL YOU CONTINUE TO PARTICIPATE IN THE OPERATION OF THE**  
13 **MERGED UTILITY?**

14 **A.** Yes. While we have not finalized a formal job title or description, I will be employed by  
15 SCWU in a manner in which I can best put my skills to work and provide needed assistance  
16 during the transition.

17 **Q. PLEASE DESCRIBE THE ISSUES IN THIS CASE REGARDING THE**  
18 **NORTHWOODS ESTATES SUBDIVISION.**

19 **A.** Synergy owns and operates a wastewater collection system in Orangeburg County. In  
20 1999, Synergy's predecessor closed the treatment lagoon and constructed a three-mile-long  
21 force main to the Orangeburg Department of Public Utilities ("DPU") system. In addition,  
22 an eleven-acre facultative lagoon was closed out in accordance with SCDHEC  
23 requirements. In today's dollars, approximately \$1.5 million would be required to

1 complete this work that we performed in house. DPU treats the wastewater from  
2 Northwoods Estates. Synergy charges a collection-only charge; DPU charges both a  
3 treatment and service charge.

4 The Northwoods Estates customers are understandably concerned about their sewer service  
5 charges. Synergy has invested considerable amounts of time and money to upgrade the  
6 system, to include slip lining approximately 3,000 linear feet of collector mains and lining  
7 manholes. We have had a negative profit during our years with DPU because we have held  
8 the total flow from each resident to the DHEC unit contributory guidelines. I have offered  
9 to give the system to the homeowners association and to Orangeburg County. We have  
10 worked with the ORS, DHEC and the local legislative delegation to help mediate the  
11 situation. Additionally, I have committed to establishing and maintaining an open line of  
12 communication between myself and the other parties, going so far as to attend HOA  
13 meetings. Now, SCWU has agreed to give the system to DPU at zero cost in an effort to  
14 best serve the long-term needs of the customers. SCWU has proposed to make a transfer  
15 immediately following the closing if an agreement were to be approved by this  
16 Commission.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 **A.** Yes, it does. I would like to thank the Commission for hearing us.